

State Conservation Commission



FY 2019

July 1, 2019—June 30, 2020

Annual Report

“Healthy farms and healthy waterways can co-exist and this program is just one example of the support offered to the state’s farmers in their efforts to be conservation stewards of the land. Funding provided by the REAP program helps our farmers implement practices that benefit their farms and work to protect water quality at the same time.” - Department of Agriculture Secretary Russell Redding.

What is REAP?

The Resource Enhancement and Protection (REAP) Program was created by Act 55 of 2007, and amended in 2019 as part of the PA Farm Bill. REAP allows farmers, businesses and landowners to earn state tax credits in exchange for the implementation of conservation Best Management Practices (BMPs) on Pennsylvania farms. These practices protect natural resources, reduce nutrient and sediment pollution in our waterways, and enhance farm production. REAP applicants cover up-front costs of installation of the practice or purchase of eligible equipment. Upon completion of the REAP-eligible project, tax credits are awarded. REAP is a **first-come, first-served** program. An applicant’s eligibility is determined by the operation’s compliance with the PA Clean Streams Law. REAP also allows other PA businesses/entities to participate in the program by sponsoring a farmer’s project.

The State Conservation Commission administers the program and determines a project’s eligibility. The Commission awards the REAP tax credits on behalf of the Pennsylvania Department of Revenue - after a review to determine that the applicant is current on all state tax obligations.

Who is Eligible?

Any individual or business who is subject to taxation by the Commonwealth of Pennsylvania under any of the following taxes is eligible to participate in REAP: Personal Income Tax, Corporate Net Income Tax, Capital Stock and Franchise Tax, Bank Shares Tax, Title Insurance Company Premiums Tax, Insurance Premiums Tax and Mutual Thrift Institutions Tax. Applicants must be in compliance with the PA Clean Stream Law regarding Agricultural Erosion & Sedimentation/Conservation Plans and Nutrient/Manure Management Plans.

Farmers and landowners can participate in three ways:

- Use the tax credits directly to reduce a state income tax bill. REAP credits can be used for up to 15 years from the date-of-issuance of the REAP tax credit to pay any of the PA income taxes listed above.
- Sell tax credits to another Pennsylvania taxpayer 1 year after the award of credits.
- Work with a **sponsor** that will help finance a farmer’s BMPs. The sponsor helps finance the project and receives the tax credits upon its completion. Forty-nine farmers worked with a sponsor in 2019.

Program Procedures

Under the REAP Program, the State Conservation Commission accepts applications for:

- **Completed projects** that are still within the listed REAP lifespan for the practice.
- **Proposed projects** that will to be completed in the near future.

Upon completion of eligible projects, the applicant must provide receipts of total costs and certification from an engineer (or other qualified individual) that the project has been installed/completed properly. The Department of Revenue conducts a compliance check to determine if the applicant has filed all required state tax reports and paid all state taxes due. The Commission issues the credit after the review..

Demand for the Program

The program has awarded credits in twelve state fiscal years: FY 2007 to the present. As part of the 2019 PA Farm Bill, funding for the REAP program was increased to \$13 million annually. Also, in 2019 the REAP credit cap was raised to \$250,000 of REAP tax credits per ag operation in a 7-year period. REAP's allocation typically funds over 300 eligible applicants per year. In each program year since 2007, the number of applications for available credits have exceeded the allocation of credits available for that year.

New for FY 2019

For FY 2019, the REAP program made several changes in addition to the changes mentioned above. The following projects located in a watershed with a written TMDL became eligible for a 90% REAP tax credit: Riparian Forested Buffers, exclusion of livestock from streams (and associated practices), and some Soil Health Tests. In addition, REAP tax credits became usable on a jointly-filed PA income tax return. Prior to FY 2019, the credits were only usable on a separately-filed return.

Economic Benefits

REAP generates significant private investment, as farmers pay 25 - 50 percent of the total project costs for conservation BMPs and equipment. REAP tax credits help producers make investments in the environment while enhancing the viability of the farm operation at the same time. Thus far, the FY 2019 REAP program has generated more than \$30.3 million in private investments for the installation of conservation practices and equipment investments. The projects also leveraged an additional \$5.2 million in other public funds for a total investment of \$37.6 million in the local economy through the 347 farms that have been approved for REAP funding in FY 2019. This is an almost 50% increase from FY 2018—due to the increased funding for REAP in the 2019 PA Farm Bill.

Statewide Environmental Impact of REAP

The contribution of the REAP program to cleaner streams in Pennsylvania—and ultimately to a cleaner Chesapeake Bay - is significant. Implementation of REAP BMPs, as well as investments in no-till and precision ag equipment, lead directly to reductions of nitrogen, phosphorus, and sediment discharges into surface waters in Pennsylvania. In addition, practices like no-till planting, precision application of nutrients, and cover crops work to improve the soil health of the Pennsylvania's farmland. Improving soil health is key to long-term sustainability and decreasing pollution runoff. Nutrients are also a valuable resource that can be managed more efficiently for economic and environmental benefit. REAP has proven to be an effective tool; providing farmers with the resources necessary to reduce nutrient and sediment runoff from their farms, while increasing farm productivity and efficiency.

The Chesapeake Bay Program Model can help estimate the statewide pollution reduction benefits related to REAP projects. Based on previous estimates from DEP, reductions tied to REAP for FY 2019 are:

1. 447,000 lbs Nitrogen
2. 22,000 lbs Phosphorus
3. 5,600 tons of sediment.

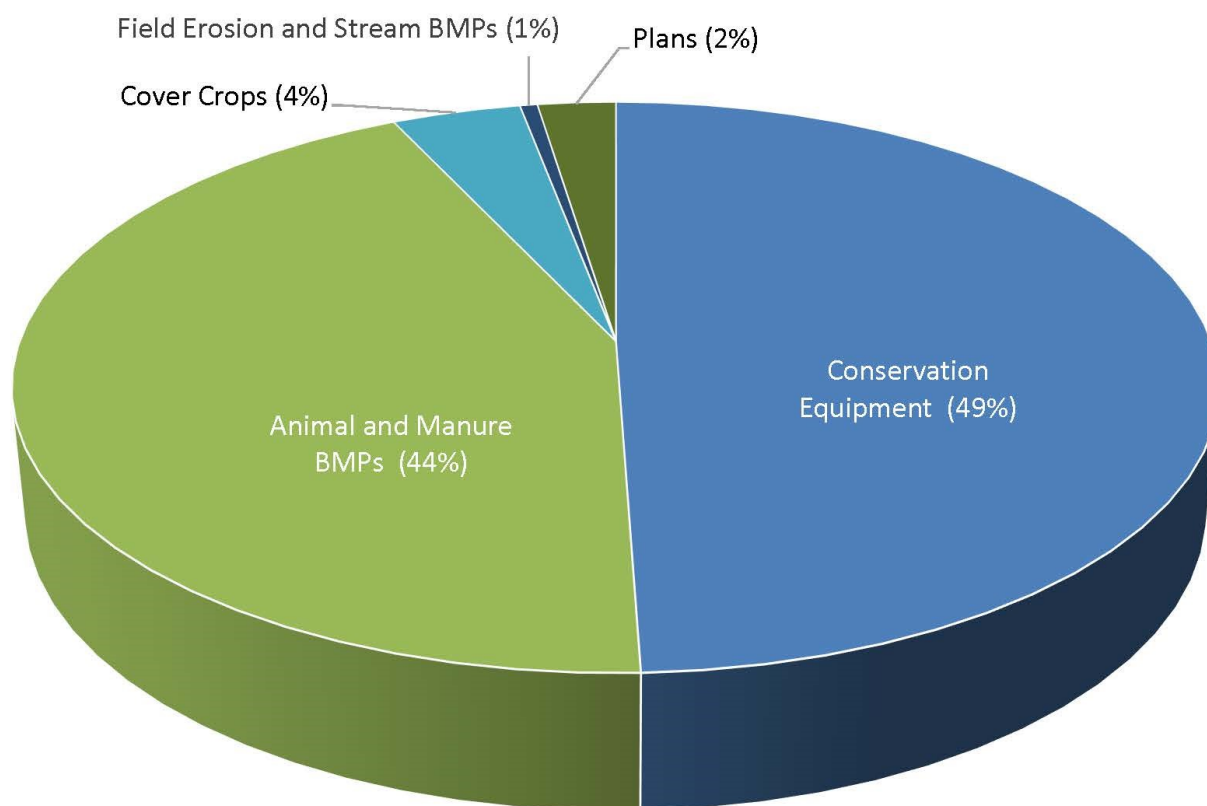
Project Types: Best Management Practices (BMPs) that reduce nitrogen, phosphorus, and sediment pollution runoff

FY 2019 BMPs*

BMP	# of projects	Total Project Cost	Other Public Funding	REAP Request	Credits Awarded
Conservation Equipment	257	16,740,230.57	43,466.00	7,694,901.50	6,785,312.00
Animal and/or Manure	236	18,850,469.66	5,072,288.40	6,777,869.21	5,326,238.00
Cover Crops	131	1,335,015.12	18,852.00	628,117.80	356,132.00
Field Erosion, Stream	20	237,088.77	84,539.81	84,885.00	28,385.00
Plans	96	532,262.84	18,814.00	380,868.00	298,758.00
TOTAL	740	\$37,695,066.96	\$5,237,960.21	\$15,566,641.51	\$12,794,825.00

*As of 01/20/2020. REAP accepts applications for proposed and completed project. Applicants have at least 2 years to complete proposed projects. Therefore, credits continue to be awarded as time progresses.

FY 2019 REAP Allocation - BMP type
% of \$13 million allocation



The State Conservation Commission revises REAP each year to keep up with emerging technologies and new trends. This enables the program to add BMPs that are eligible for REAP tax credits; and to remove BMPs that are no longer viewed as effective or efficient. The Commission values the input of its partners and other agricultural/conservation groups to help maintain the value of REAP as a tool to conserve natural resources and enhance farm efficiency. Recent additions to the REAP program include: Cover Crop Rollers, Legacy Sediment Remediation projects, Soil Health Tests, and expanded Cover Crop eligibility.

Project Distribution

REAP is statewide program. Since 2007, REAP has helped improve environmental stewardship and economic viability on over 2700 farming operations across the commonwealth. In FY 2019, the REAP program approved applications from 347 eligible agricultural operations from 54 counties.

Historically, 75% REAP credits have been awarded to farming operations within the Chesapeake Bay watershed. In FY 2019, 71% of available REAP credits were allocated to operations within the Bay watershed.

The following list shows the amount of REAP credits that were approved for farmers and landowners in each County. Factors that influence the amount of REAP credits include: The concentration of farming within a County, farmer's familiarity with the REAP process, publicity and outreach to farmers in their respective communities, and the success of the County Conservation District and NRCS in securing other public funding for ag projects. Farmers who receive other public funding can also participate in REAP but, their REAP funding is lower because of their lower out-of-pocket costs.

County	Reap Amount	County	Reap Amount
ADAMS	\$84,619.00	JUNIATA	\$378,252.78
ARMSTRONG	\$94,982.00	LACKAWANNA	\$173,318.00
BEAVER	\$71,444.00	LANCASTER	\$2,180,833.07
BEDFORD	\$405,848.30	LAWRENCE	\$78,864.00
BERKS	\$686,498.92	LEBANON	\$1,325,033.00
BLAIR	\$32,552.00	LEHIGH	\$188,575.00
BRADFORD	\$478,463.00	LUZERNE	\$31,000.00
BUCKS	\$183,360.00	LYCOMING	\$58,198.00
BUTLER	\$212,619.00	MERCER	\$76,263.00
CAMBRIA	\$501,029.00	MIFFLIN	\$51,417.00
CARBON	\$4,500.00	MONTGOMERY	\$228,562.00
CENTRE	\$108,436.00	MONTOUR	\$275,348.00
CHESTER	\$461,648.00	NORTHUMBERLAND	\$708,238.00
CLARION	\$13,160.00	PERRY	\$107,803.00
CLEARFIELD	\$141,674.00	POTTER	\$47,575.00
CLINTON	\$154,562.00	SCHUYLKILL	\$204,476.00
COLUMBIA	\$460,487.50	SNYDER	\$265,267.00
CRAWFORD	\$81,697.00	SOMERSET	\$587,938.00
CUMBERLAND	\$183,234.00	SULLIVAN	\$14,055.00
DAUPHIN	\$284,049.00	SUSQUEHANNA	\$73,680.00
ELK	\$10,334.00	TIOGA	\$523,533.00
ERIE	\$32,150.00	UNION	\$280,611.00
FRANKLIN	\$758,873.14	WARREN	\$177,378.00
FULTON	\$227,942.00	WASHINGTON	\$13,450.00
HUNTINGDON	\$627,573.00	WESTMORELAND	\$229,470.00
INDIANA	\$155,270.00	WYOMING	\$13,850.00
JEFFERSON	\$193,730.00	YORK	\$642,242.00

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